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**REPORT ON THE CONFERENCE OF THE FINANCE MINISTERS IN THE SOVIET
OCCUPATION ZONE AND THE DIVISION CHIEFS OF THE MAIN ADMINISTRATION FOR
FINANCE OF THE GERMAN ECONOMIC COMMISSION, ON FEBRUARY 10, 1949.**

Present were:

from the German Economic Commission:

Prof. Dr. Kastner

Dr. v. Frankenberg

Representing the Laender:

Finance Minister Rohner, Dresden

Dr. Spangenberg, "

Grimm, "

Mueller, "

Finance Minister Bruschke, Halle

Finance Minister Moog, Weimar

Dr. Zieger, "

Finance Minister Lieutenant Georgino, Potsdam

Three representatives of the finance or budget committees of the Landtage.

From the Federation of Free German Trade Unions:

Kellner

Zsellner (Zome)

from the "Deutsche Notenbank" (German Bank of Issue):

Bahn

from the Berlin City Council:

Henry Mayer

from the Berlin Central Finance Office:

Magnus

From the German Administration of the Interior:

Hals

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from the German Economic Commission, Main Administration for Economic Planning:
 Strahl

from the Main Administration for Finance:

Rupf, Chief of Main Administration for Finance, Chairman

Dr. Steiner, assistant chief of Main Administration for Finance

Bees, " " " " " " " "

Maltrusch

Biedermann

Gebers

Hoffmann

Kaemmel

Kuellesing (?)

Kulesa

Leechner

Mehlig

Meenig

Raab

Dr. Riebwald

Siegmund

Schmidt

Schnauffer

Dr. Schulz

Schuetze

Tank

Thiel

Dr. Kastner opened the session at 10:55 AM, and announced that in future regular conferences with the finance ministers are to be held again each month. A combining of the ministers' conferences with the plenary sessions of the German Economic Commission is to be considered.

He especially welcomed the City Treasurer of Greater Berlin, Mr. Henry Meyer, and his successor, Mr. Rupf, who made his first appearance in this group.

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Prof. Dr. Kastner then stated that the financial history of the past three years is to a large extent the work of Mr. Henry Meyer, who until now has been the Chief of the Main Administration for Finance. Dr. Kastner gave a detailed review of the work done by the Central Financial Administration, and its successor, the Main Administration for Finance. Mr. Meyer deserves the most sincere thanks for placing reconstruction work on a well-founded and secure basis. His name will always be connected with this most difficult period of Germany's history.

Lately, the Western press has repeatedly treated the subject of the financial policy of the Eastern zone. It is interesting, that the "Free Shops", (FH: i.e., shops where goods are sold ration-free, at higher prices) so frequently under attack, are now reportedly to be introduced also in the Western zone.

It has frequently been criticized that the German Bank of Issue has not yet submitted a report. This report is to be published in the immediate future. Its publication was delayed due to extensive changes in the accounts.

It has also been claimed that the half-year plan for 1948 has not been successful. On the contrary, it must be said that the production of crude steel increased by 100 percent, that of lignite by nine percent above 1947.

In contradiction to the reportedly disastrous drop in tax revenues in the Eastern Zone, it is to be stated that most of the losses caused by the currency reform have been made up and that the quota has been fulfilled to 99.6 percent.

In the five months following the currency reform, the total tax revenue in the Western zone reached about 50 percent of the revenue during a comparable period before the currency reform, while the figure for the Eastern zone was 79 percent.

For the turnover tax the figures for the two zones are 70 percent and 93 percent, for the wage tax 51 percent and 103 percent, and for the income tax 45 percent and 84 percent.

We can be quite satisfied with these results.

During the six months following the reform, there were many increases in

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public spending in the Eastern zone over the period before the currency reform, for example:

for public education	9 percent increase
for labor and social welfare	28 percent increase
for public health	15 percent increase
for resettled persons	9 percent increase

Despite decreased revenue and increased expenditures the budget reserve was increased by 10 percent.

Still, energetic economy measures are now necessary. The administrative apparatus must be reduced in size. A new wage scale has been introduced for the administration employed²⁵, which will base payment on output.

The healthy financial situation is furthermore demonstrated by the introduction of a merit system of payments and a graduated wage scale, and by the increase of the cash on hand in the credit institutions by more than 25 percent.

According to all this, there is not the slightest reason to be concerned about our financial situation.

It should be said principally that we are still in the stages of a revolution. This makes considerable reorientation necessary, especially in the field of finance. The taking over of large portions of industry into public ownership will also lead to a reorientation in the field of accounting. The files of the first three years following Germany's collapse will some day be a treasure for scientists. Never before has the fiscal management of the country been of such great importance for the overall development as today.

Minister Hoog, as the senior Finance Minister present, joined in thanking Mr. Henry Meyer. Under his leadership, a foundation has been laid, upon which building can proceed.

Mr. Meyer expressed his thanks for the praise accorded to him and emphasized that he had always had the overall interest in mind in his work. He considered the praise primarily directed to his excellent staff of assistants, who had given him valuable support. He also expressed his pleasure at being permitted to attend the Minister's conferences in the future. It was also the wish of the Mayor of Berlin that he maintain contact with the Main Administration for Finance. Berlin, he stated, lies in the Soviet Zone of Occupation, and

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its administration will have to be shaped in conformance with the geographical location of the city.

Dr. Kastner stated that Berlin still constitutes an open problem, but that the interdependence of Berlin and the Soviet Zone is so strong that cooperation is essential for both. Mr. Meyer still belongs to this group. In future, the work of the Finance Administration will be of greater importance than ever before in Germany.

Then Mr. Rumpf took over as chairman.

He welcomed the representatives of the Federation of Free Trade Unions, with which close cooperation will be necessary in the future. The work of the Main Administration for Finance may be characterized by the fact that this office will now be charged with controlling the economy of the country so that it will proceed as planned. This^{is} an entirely new task for us. We will have to learn from the experience of our Eastern neighbors. Capital formation and capital replacements in our national economy have not yet reached an adequate level. Lowering of production costs has become a central problem. It is necessary to cut extensively all expenditures not of a productive nature. This requires economy measures and organizational changes in our administration.

Mr. Rumpf announced that Mr. Moenig has taken over the direction of the budget department since Dr. Haa left, and that a new Main Division for Finance of People's-Owned Enterprises has been set up within the Main Administration for Finance, under the direction of Mr. Hoffman.

After a change in the agenda was made, Mr. Mehlig gave a report on the subject "Reduction of Personnel and Economy Measures".

The order of 24 November 1948 for^{reducing} personnel expenditures (Bulletin of Zonal Regulations of 7 Dec 1948) came out at a time when personnel cuts could no longer be effected. It is generally known that the administrative apparatus is oversized and that the wage scale is set too high. The regulation is based on Article 15d of the currency reform. In connection with this, the Finance Administration of the Soviet Military Administration has charged the Main Administration for Finance with taking measures for the reduction of

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personnel expenditures.

In 1928, the German civil service employed about 928,000 officials and about 248,000 workers, i.e. a total of approximately 1,176,000 employees, who were paid 2.3 billion RM yearly in wages.

The civil service in the Soviet Zone alone employed about 800,000 persons during 1948, with an expenditure of 1.6 billion M in wages paid.

It is thus clear beyond a doubt that the apparatus is badly overstaffed. In order to make the economy measures effective before 31 Dec 1948, the Minister-Presidents of the Laender were advised to halt all promotions and not to fill vacancies for the time being, in expectation of an order. They were also advised to examine the wage scales and the effect of the circular order No. 234. Over a period of weeks an attempt was made to achieve a uniform organizational structure and to create uniform wage scales in cooperation with representatives of the ministries of the Laender. The jointly worked out plans of the Laender were integrated and the Laender were informed. They were used as basis for the 1949 budget.

In the second phase an attempt was made to introduce the same arrangement for the offices below ministry rank. This is a difficult undertaking and has not yet been accomplished. In order to make it at all successful, the Minister Presidents have been requested to apply the precepts established for ministries to the lower-ranking agencies also, and to give instructions for the introduction of a corresponding action in District [Kreis] administrations.

The new tables of organization were to be submitted to the Main Administration for Finance by 30 Nov 1948. This deadline was not met, and the data received later were partly incomplete and partly useless. In the course of a joint conference from 22 Jan to 24 Jan 1949 it was determined that the reductions in ^{num}bers of employees and in wages in the purely administrative offices would have to amount to 20 percent, and that in agencies having both administrative and operational functions the cuts should apply only to the administrative apparatus. This goal was not attained. In the purely administrative agencies the cuts amounted to only 18 percent, in mixed administra-

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tive and operational offices to 2.9 percent, in public education to 0.6 percent. In legal administration there was actually a 10.2 percent increase. We must make up our minds now whether or not to drop this project. The administration agencies, especially those with mixed administrative and operational offices, have been very reluctant to follow the suggestions of the German Economic Commission. The administrative apparatus has been spared at the expense of the operational apparatus. In general, the qualifications required of the personnel employed are still very high. Only in the ministries has there been a general decrease which approximates the goal set. The discrepancies are still greater in the agencies of lower rank.

Mr. Mehlig suggested that the payroll reduction program be considered closed for the time being, but that an investigation be made as to whether or not a further saving can be achieved in the near future by other means, for example, changes in the administrative organizations.

The Laender registered protests against many of the organization charts of the Ministries. This is a large project, and it cannot be allowed to fail in its entirety because of some details.

Individual requests can still be considered later on, but it would be desirable to drop the over-all plan right now.

Minister Rohmer stated that the personnel plans had been the subject of a meeting of the Sachsen cabinet. All members of the cabinet agreed that the table of organization is unacceptable in its present form. A certain staff is required to perform the work. In connection with the new salary contract, the new table of organization would result in many instances in higher personnel expenditures than had been set. The cabinet had decided to request the German Economic Commission to make a change in the tables of organization. This was out of the question, of course, for the last quarter of 1948. The new arrangement was planned for 1949. Industry in particular had objected that an additional cut of 66 positions would be intolerable. Even the Ministry of Finance, which had already put into effect a 38 percent personnel cut, has abolished 40 additional positions. This applies especially to positions in the control apparatus. This will have an adverse effect on the revenues from

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taxes and fines.

Sachsen thus cannot accept the table of organization but can merely use it as a basis. Minister Rohmer asked that Sachsen's objections be considered and not simply ignored as were her protocol suggestions during the preliminary conferences.

It should be pointed out in connection with the failure to meet the deadline that the Laender had been requested on 12 Nov 1948, to reach a conclusion by 16 Nov 1948. He stated on behalf of the Sachsen^{6CH} government that the reading of the numerous and often contradictory circulars of the German Economic Commission alone was very time-consuming, so that the deadline could not be met. Sachsen sent representatives of all departments to the conference on 21 Jan 1949, which was also called on very short notice. The organization charts of the agencies of lower rank cannot be cancelled at the conference table.

Minister Braschke began with the statement that the reform was necessary, but he emphasized that it contained dangerous weaknesses. The action should not have been carried out so abruptly. It was put into effect much too inflexibly.

In the offices of lower rank an attempt has been made to combine the examining apparatus of the price administration offices, the offices for trade and supply and the economic offices. In itself, this plan is not objectionable, but^{it} is intolerable that each examiner is in charge of 600 to 700 enterprises. The examining apparatus has been weakened so badly that it is questionable whether it can function at all. For instance, after the new table of organization has gone into effect, no responsibility can be taken for the carrying out of an examination of prices.

Simplifications have also been attempted in the special offices. It is planned, for instance, to assign the land registry offices to the Districts [Kreis]. However, these offices are not performing work within the sphere of the Districts. There are, for example, 52 Districts in Sachsen-Anhalt, but only 37 land registry offices. The table of organization for the tax apparatus endangers the collection of taxes. Such actually dangerous weak-

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nesses must be further considered and some acceptable solution must be found.

Minister Bruschke stated that he could not make any commitments for Land Sachsen-Anhalt, since he had no authority to do so. From the financial point of view, Sachsen-Anhalt was of the opinion that these personnel cuts could not be the last ones. We have to practice more economy, but the difficulties mentioned here must be avoided at all costs.

Minister Hoeg declared that he could not speak for Land Thuringen but only for the Thuringen Finance Ministry. The Ministry of the Interior is the competent authority in the matter. The table of organization can be considered only as a basis. The question must be ^{asked} ~~ask~~ whether it would not have been possible to introduce the new wage contracts in conjunction with the tax reform. This would have greatly simplified the administrative work.

According to the conferences held in Thuringen, the new wage contract will require an additional expenditure of three to four percent, a 20 percent reduction in expenditures could not be attained. The matter cannot yet be considered as ready for a decision. ^{The} ~~The~~ question must also be asked whether the new commission will introduce new personnel cuts.

Minister Lieutenant confirmed the statements of three speakers before him, and pointed out that the budget for 1949 is now being planned. The plan suggested by Mr. Mehlig must be used as basis. Then, however, one must try to find even better solutions. As the matter stands now, many decisions have been made in such a way that the expected reduction in revenue will be greater than the savings.

Mr. Mals expressed his astonishment that Sachsen, of all Laender, thought the new personnel plan not acceptable. 740 positions in Sachsen had been vacant, whereas the actual cut covered only 300 positions. This justified the shelving of Sachsen's formal objections. In comparing the personnel plans of the five Laender with each other, it turned out that it is not permissible that Sachsen should provide for a ministerial director for positions which are handled by an Oberregierungsrat in other Laender. Sachsen has abolished 24.6 percent of the positions in the ministries, but these have been mostly inactive positions. The financial saving amounted to 20 percent.

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Experts have not been dismissed, but the cuts applied mostly to technical positions, which had been greatly overstaffed.

There is danger that the control authorities are outgrowing the administration. In spite of that, no real control is effected, and a new method of control must be found. It must be handled by the people themselves, so that, for instance, the price control officer will operate in the future only as an organ of the people.

The land registry and building offices have not yet been transferred to the Districts. If the Main Administration for Finance ordered it, this order was a mistake. The incorporation was considered from the wrong point of view. All that is desired is administrative control.

Mr. Maly is of the opinion that the Laender could agree to the personnel plans today, so that this first phase of the program could be concluded. Now the second phase, the examining of the administrative organization, will have to be taken up. This program should be finished by 1 July 1949. Its aim is a further 10 percent reduction in personnel. The methods of operation must also be examined. The accounting methods are badly in need of revision, and the setting up of the budgets must be examined critically. In this connection, restriction and standardization of the extensive writing of reports is essential.

Mr. Koehnig made it clear that no authority had ordered the transfer of the land-registry and surveying offices to the District level. The Main Administration for Finance merely ordered that the expenses of these offices be provided for in the District budgets, a step which was taken on orders from the Main commission.

Mr. Georgine could see no reason why the estimates for expenditures and revenues of the land registry offices should be included in the District budgets. Besides, the District budget plans have already been completed.

Mr. Rumpf suggested that if those concerned would agree, the order of the Main Administration for Finance should be withdrawn.

Mr. Georgine requested that, considering the fact that the preliminary work for the budget plan for 1949 is now being carried out, one action at a time should be taken up and that further measures should not be rushed too

much.

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Mr. Rumpf stated:

The early deadline was a mistake. The Soviet Military Administration has also recognised that this had an ill effect on the work.

He is in favor of the suggestion of using the present tables of organization as a basis for the 1949 budget.

The introduction of the new wage scale does not aim at reducing payrolls.

The tax reform is to become effective on 1 April 1949.

He has ordered conferences on the average expenditures for wages on the different administrative levels. These showed great divergence when the different Länder were compared with each other. He quoted figures on this point and suggested a re-examination by the Finance Ministries of the individual Länder.

On the question of reports it must be said that we are making no headway by using the present method. Experienced supervisors and organizers in the government, Landrat and mayors' offices must determine who fills out the various questionnaires and forms, to whom he sends his reports and how many copies are made, and what questions he himself asks of other officers and at what intervals he asks them. A number of questionnaires could certainly be combined and simplified.

Constant supervision of the ratio of cost ^{to} and output is also essential. It must not only be determined how many pages a typist produces daily, but efficiency control for higher posts is also necessary.

Mr. Rumpf also joined in the suggestion that the tables of organization be accepted in their present form and that work be continued along the lines indicated. The matter of control must be standardized; in particular, *it must be* ascertained whether price control and price fixing are organized properly.

Mr. Moog asked whether the wages in February are to be paid according to the new scale. The local Soviet Military Administration in Thüringen suggested that salaries continue to be paid on the old scale and that readjustments perhaps be made later on.

Minister Bruschke reported that the Soviet Military Administration at Halle had ordered that the new scale not be applied.

Mr. Nehlig replied that a question to the Manpower Department of the Soviet

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Military Administration had resulted in the answer that the scale becomes effective as of 1 Feb 1949. The Soviet Military Administration will give the proper instructions to its Weimar and Halle branch offices.

In putting the new scale into effect, expenses will, on the whole, not be higher than up to now, but there are variations. In many instances, in the case of District administrations ^{or} of administrations of communities subordinate to District administrations, expenditures will be slightly higher. The deputy chief of the Finance Department of the Soviet Military Administration, Mr. Sitnin, has emphasized that the new wage scale is not to be used for a general reduction of payrolls. Eventually, adjustments would have to be made within the Zone. After this statement by Mr. Sitnin, the Laender will not be able to make effective objections to such an adjustment.

Mr. Georgine asks whether the grading according to efficiency should be done within each individual salary bracket or on an over-all administrative level.

Mr. Mehlig replied that this question would be taken up the next day. It would be advisable to grade very closely at first and perhaps to relax gradually later on. A standard is to be worked out for the grouping into efficiency grades. The basic salary plus 6.5 percent as a rule will result in placing 25 percent of the employees in the first grade and 10 percent in the second efficiency grade.

Mr. Kuhn first gave a short review of the success of the currency reform. The circulation of paper money has been stabilized by orders Nos. 111 and 124. The German Bank of Issue has thus been ordered to issue notes in the amount required for the exchange (TM: i.e. of new currency for old) and in the value of 500 million DM above that figure. This amount was sufficient; as a matter of fact, it turned out to be too high. In the ^{future} ~~present~~ the turnover of goods must be controlled more strictly. The banks must also take part in the organization of the "Free Shops". A revival of payments by check is also necessary. This must be promoted by intensified propaganda. The German Bank of Issue has made several suggestions on this point. Intensification of the control of cash is necessary. Violations of the requirement that

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cash be turned over to the banks must be punished more severely in the future.

Saving is to be promoted further. 43 percent of the population of Sachsen have savings accounts, 35 percent in Thuringen, 29 percent in Sachsen-Anhalt, but only 16 percent in Brandenburg and Mecklenburg. The number of bank offices is adequate.

The first financial report of the German Bank of Issue will be published shortly. It will show a favorable picture.

The conversion of short-term credits will soon pose an important problem. Difficulties caused by the limitation on credits are to be eliminated by a new regulation.

Mr. Rumpf added that at present the question of the time of payment of salaries in civil service is being considered. It is planned to change from the present method of bi-weekly payments to monthly payments to take place at the end of the month. It is planned to pay the April salaries on 15 April and then to postpone the payday five days each month until the same payday has been reached as is current in industry (the last day of the month).

In the application of the credit restrictions it has developed that goods are frequently stored too long in plants, because they are not called for. A general investigation showed that, for example, in private enterprises in Brandenburg 15 million Marks' worth of goods are stored for periods longer than four months. Mr. Rumpf also cited figures for other Laender. Stricter control is necessary in this case.

Minister Bohner stated that land Sachsen has already introduced such control measures. There are two difficulties: 1. Quality and price must be correlated. The goods in storage are frequently of such inferior quality that they could not be offered to the consumers at the prices demanded for them. 2. The goods in question are often those which were earmarked for reparation shipments, but which were not picked up by the Soviet Military Administration. These difficulties could not be overcome until now. The present situation makes it difficult for those seeking credit to produce new goods. The fulfillment of the tax revenue quota is also endangered. This applies especially to credits for alcoholic spirits. These should be released from the credit limitations. Perhaps one should again take up the

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question of setting up bonded warehouses.

Minister Moog confirmed these statements. The difficulties develop outside the sphere of the Main Administration for Finance, at the agencies which refuse to release the goods. The Main Administration for Finance will have to make reports to the German Economic Commission, the latter being the sole agency capable of doing something about it.

Mr. Georgino stated that the difficulties are not caused by the Main Administration for Trade and Supply, but by the German Economic Commission itself. It has also been realized in Brandenburg that the tax revenue suffers from the restriction on credits.

Mr. Bruschke declared that the difficulties in Sachsen Anhalt are not quite as great. By having the Main Administration for Trade and Supply take a hand in the matter, arrangements must be made to have the warehouses, which are frequently filled with goods which do not move, emptied.

In connection with the question of ^{monetary} ~~market~~ circulation an investigation must be made as to why the cash assets of the credit institutions are in such an unfavorable ratio to the paper money issued. It must be determined to what extent the extraordinary conditions in Berlin are responsible for this circumstance. There is the possibility that the political exchange rate is being artificially supported, thereby depriving the Laender of large amounts of money.

Mr. Strehl pointed out that the purposes for which credit is granted are also being examined. This examination showed that in Mecklenburg more than 20 percent of the credits were granted to commercial enterprises. The Sachsen printing enterprises should normally have considerable stores of material on hand.

Minister Rohner remarked that we had, on one hand, previously urged industry to take up credits. It is difficult to reverse the process. On the other hand, the matter is basically a planning problem. The credit requirements of the enterprises are partially caused by the wrong routing of goods on a large scale.

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Mr. Forgbert pointed out that the goods in storage are partially of no value so that some credits ^{may} have to be considered lost.

Mr. Meyer recalled that this problem had come up already months ago at the German Economic Commission and the Control Commission. It is now necessary to point out this problem again.

Mr. Rumpf declared that the Main Administration for Finance would take the necessary steps at the German Economic Commission. Especially the question of reparations shipments will have to be cleared.

Mr. Schuette remarked that it was not only a question of reparations credits, but also a question of permitting credit for other goods which are made available to the Occupying Power.

After lunch Mr. Hoffman, in place of Mr. Lehmann, who is ill, reported on the order concerning capital investments of people's-owned enterprises. The order contains principles on the financing of plants, the setting up of sinking funds, and the method for handling large-scale repairs. It contains one innovation; namely the provision that the amortisation quotas of the enterprises are to be turned over in full to the German Investment Bank. As a consequence of this, the amounts written off reduce the enterprises own capital; while the investments assigned to the enterprise within the finance plan are added to it.

In the future we thus will not have enterprises with a constant capital, but their capital will be subject to continuous variations. As far as large-scale repairs are concerned, it had first been planned to give the Federations a certain degree of freedom by making them surrender only 50 percent of the amortisation funds, but this idea was dropped later on and 100 percent payment is still provided for in these cases also.

Mr. Hoffman then gave his report on the progress of the finance planning for people's owned enterprises on the Land level. He declared that after the period of easily available money has passed, quality planning will have to take the place of quantity planning. The two-year plan provides for the reduction of operating costs by seven percent. For this reason alone, finance planning must be quickly caught up.

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He gave a review of the setting up of the newly created Main Division for Finance of Peoples-public-Owned Enterprises and then discussed the question of their future cooperation with the corresponding departments of the Laender administrations. The burdening of enterprises with high interest costs due to the unnecessary overworking of the banking apparatus plays a particularly important role. The competent administrations have been requested to give explanations of this situation by 15 February. Should satisfactory explanations not be received by that date, very severe measures have been planned. Some thought has been given to charging the responsible consignor with the interest payments, if circumstances justify such a measure. In many cases the retroactive payment of subsidies has been responsible for the taking up of credit. For this reason, subsidies will be paid from now on not retroactively, but monthly, if possible. (The report of Mr. Hoffmann will be printed in detail in the next issue of the "Deutsche Finanzwirtschaft").

Mr. Koenig reported on the carrying out of the regulation on financial control of 7 July 1948. He declared that matters are still in a state of flux today and that no final statement can be made. The decision of the German Economic Commission of ⁷ July 1948, (Zonal Regulations Bulletin p.375) provided for the replacement of the Land auditing courts by the newly created control departments. Mr. Rau has again informed the Minister Presidents of this in a telegram. The implementing orders will be issued shortly. They will accord the Minister Presidents the right to give orders to the auditing and control department.

The auditing and control departments have already been included in the tables of organization and personnel plans. Whether or not sufficient posts have been assigned for them is a different matter.

The control departments will have a dual function:

- 1) The control of People's-owned industries
- 2) The tasks previously carried out by the Land auditing courts, and the auditing of the administrations.

The implementing orders will determine the details. There is great concern about the aspect of the control covering the field of administrative auditing.

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The Laender are requested to submit suggestions on the formulation of the implementing orders.

Mr. Rumpf spoke about the use of loans taken up by the German Investment Bank. It is not up to the banks to determine the disposal of sums which they loan. The banks make the loans and place the amounts at the disposal of the budget office, which then assigns credit to the Investment Bank for specific purposes.

The conversion of capital of the people's-owned enterprises makes it necessary to include a capital account in the budget to take care of the accounting of converted capital debts.

As far as auditing is concerned, the balances must not be audited at too late a date. The formation of committees on balance matters is planned. These committees, which correspond approximately to the former boards of directors, analyse and criticise the balance and decide what has to be done. The habit of organising the auditing to cover certain periods of time must be stopped. The auditing must be concerned only with definite sets of problems.

Dr. Spangenberg remarked that the matters discussed here could be only partially considered in the compiling of the 1949 budget. It will be important, above all, to fill the auditing and control departments with qualified personnel. The Laender desire to be informed of the implementing orders as soon as possible.

A capital account could still be fitted into the budget. The investments must be made to agree with the investment plan, according to the directives set down in the budget. The problem, however, lies in the fact that there is, as yet, no investment plan. Therefore, there remains nothing to do but to include the investments in the budget the way they have been submitted.

Mr. Mals pointed out the necessity of clearly defining the tasks of the Main Administration for Finance and the offices for people's-owned enterprises in the implementing orders. The establishment of the auditing and control departments in place of the Land auditing courts will cause a corresponding arrangement to be made on the Kreis level. It was to be expected that the establishment of new positions ^{will} ~~would~~ be requested. He requested that not too much leeway be given in this respect. Requests for the establishing of

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new positions are justified only when it has been established that the present personnel cannot handle the job. The methods and the organization of the auditing must be investigated carefully.

Minister Rohmer stated that the Sachsen Ministry of Finance, in taking over the Land auditing court, which had 19 posts, had been assigned only nine posts. Some personnel also left because they found higher paying positions elsewhere.

In Land Sachsen the number of unemployed has increased from 30,000 to 100,000. Investigation showed that only about 1,000 of them are fit for employment in mining. The Sachsen Minister of Labor has requested 30 million DM for 1949 to give work to the unemployed. According to the directives of the budget, this amount cannot be approved. The work projects would have to be included in the investment plan. How can this be done?

Mr. Strehl replied that the German Economic Commission had made efforts to determine the attitude of the Soviet Military Administration on questions of ~~this~~ this nature. Mr. Sitnin has indicated that funds can be put into the budget in excess of the planned amount if an extraordinary situation exists.

Mr. Georgino has provided for 10 million DM in the Brandenburg budget for the reconstruction of public buildings and institutions.

He asked to have the offices provided with higher endowments and requested that this request be considered in the formulation of the implementing orders.

Mr. Meyer discussed the effect which the surrender of the amortization sum would have on the liquidity of the enterprises and concluded that in the future short-term credits will have to be given special attention. Mr. Hoffmann agreed with this statement.

Mr. Gebers reported on price planning and subsidy questions. Lower output and loss of facilities have caused a reduction in productivity during the past few years. This phase is now over. The rearrangement of the wage scales has progressed so far that no further radical changes in the production costs are to be expected. Since costs are decreasing, lowering of prices can be expected.

A new situation has arisen especially in the field of price subsidies, following the currency reform. The Laender have frequently paid more in subsidies than was actually necessary. In the future there will be ^{no} more

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subsidies to pay for losses, but only subsidies for the purpose of price fixing. Such a change of policy will naturally cause correlation of prices in many fields. People's-owned enterprises, too, have mainly been operating at a loss up to now.

It is hoped that the development of the People's-owned enterprises will provide definite data on the question of the ratio of production costs to prices in the various fields. Thus the People's-owned industries are to become the pacesetters for the economy of the entire zone. Then the way is open toward attaining a balanced price level. We must some day reach the point where we can measure the success of the two-year plan by the increase in economy, the reduction in prices and consequently the increase in the standard of living.

Mr. Mals asked to what extent only a restricted viewpoint is obtained when the data are submitted by the individual enterprises. This brings up the problem of the structure of the price control offices. They are very much disorganized and are unable to function consistently. It has happened that one Land will not recognize the prices approved in the neighboring Land, and there is an immense demand for personnel in the price control offices in the Laender which do not even contain major centers of production. It would be a good idea to issue special instructions for the formulation of prices at the centers of production.

Dr. Steiner objected to this concept of the work of the price control offices. The example given here, he stated, was a special case. In principle, a price approved by the price control office of one Land is valid for the entire Zone. The idea of Mr. Mals to establish price control offices at the production centers has already been partially realized. Thus the prices for books are set by a branch office at Leipzig. An additional branch office for the textile industry at Chemnitz is being planned.

Mr. Meyer emphasized the importance of the People's-owned enterprises as pace-makers in the setting of prices.

Dr. Steiner pointed out that the collection of fines for price violations is very badly in arrears. According to the status of 1 January 1949, 70 million DM in such fines are outstanding. The number of control checks has

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decreased, especially in Sachsen. Since the number of personnel in the price control offices has not been decreased, and since the price control checking of retail trade, restaurant trade, and street peddling has been taken over by the police, one would assume that the intensity of the control checking of the spheres of business still under the jurisdiction of the price control offices would not have decreased. The intensity of price control checking also varies in the other Laender. ^{Nevertheless,} ~~But~~ it can be seen from the figure for the fines imposed on price violators that the intensity of the price control checking has decreased. More intensive control is necessary. However, the emphasis of the work of the Land price control offices should lie in price control and ^{not} in price setting. Questions of principle are not within the competence of the lower authorities.

Frequently agreement is not obtained from the Free German Trade Union Federation concerning price regulations. All current permits for which written agreement has not been obtained from the Free German Trade Union Federation by 28 February 1949 must be withdrawn.

Mr. Mueller stated that the price control office of Land Sachsen was so overloaded by special tasks that none of the planned work could be performed. The few controls ^{checks} which it did ^{carry out} ~~execute~~ have brought satisfactory results. 90,000 DM per year were collected in additional revenue, fines and fees for each employee of the office. If more of the positions were to be abolished now, this would be at the expense of the results which the price control office is achieving.

It is not true that the price control offices of the individual Laender fight one another, as Mr. Mals claims. A certain amount of overlapping does occur at times, due to the fact that the consignee outside of Sachsen wants to place an additional price margin on the goods received from Sachsen, so that the price requires a second check. It would be desirable in the future to have the price setting take place in the Land producing the goods.

Of the 46 million DM in price violation fines which are in arrears in Sachsen, people's-owned enterprises were responsible for 30 million.

Mr. Steiner introduced Mr. Siegmund, who has taken over as director of the Main Division for Insurance since the death of Brille.

The meeting was closed at 1630 hours.

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